

Message Text

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PAGE 01 STATE 068709
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY NEA/ARP:BKBODINE/JRCOUNTRYMAN
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NEA/RA:HPRECHT
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PM/SAS:AKOCHANNEK
DOD/ISA:CWILSON
S/S-O:SVALERGA

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FM SECSTATE WASHDC
TO AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY ABU DHABI
AMEMBASSY DOHA
INFO SECDEF WASHDC
SECDEF WASHDC

C O N F I D E N T I A L STATE 068709

EXDIS , MILITARY HANDLE AS SPECAT EXCLUSIVE

E.O. 11652: GDS

TAGS:MASS, EG, SA, TC, KU

SUBJECT: FUNDING OF F-5S FOR EGYPT

REF: (A) JIDDA 1498(NOTAL); (B) STATE 047665; (C) 77 STATE
195932

1. REFTELS BEING REPEATED TO ADDRESSEE POSTS FOR REFER-
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2. AS STATED IN REFTEL (B), DEPARTMENT'S ASSUMPTION IS THAT
FUNDING FOR PURCHASE OF F-5ES BY EGYPT WILL COME FROM
THIRD COUNTRY ARAB SOURCES, POSSIBLY SAUDI ARABIA.
EMBASSY JIDDA SUGGESTS THAT SAUDIS MAY WANT TO SHARE THE
COST OF THE PROJECT WITH KUWAIT AND THE UAE.

3. THE U.S. ALREADY IS INVOLVED IN FOUR TRILATERAL MILITARY EQUIPMENT SUPPLY ARRANGEMENTS WITH THE SAUDIS--YAR, JORDAN, SUDAN AND BAHRAIN. IN ADDITION, SAG DIRECTLY IS FINANCING EGYPT'S PURCHASE OF C-130S UNDER 1977 PROGRAM. BOTH THE NORTH YEMEN AND JORDANIAN ARRANGEMENTS HAVE POSED PROBLEMS FOR VERY DIFFERENT REASONS.

4. IN NORTH YEMEN, THE SAUDIS ACTIVELY HAVE BEEN ENGAGED WITH US IN DETERMINING WHAT EQUIPMENT NORTH YEMEN WILL

GET. THE SAUDIS APPROVE THE LETTERS OF OFFER AND PAY US DIRECTLY. WHAT HAS EVOLVED IS THAT U.S.EQUIPMENT DELIVERED TO NORTH YEMEN IS NOW IN SAUDI CUSTODY THERE AND SAUDIS DETERMINE WHEN THE EQUIPMENT WILL BE RELEASED TO THE YEMENIS. THE FRICTION INHERENT IN SUCH A SITUATION IS OBVIOUS AND WE FIND OURSELVES IN AN INCREASINGLY AWKWARD POSITION VIS-A-VIS THE YEMENIS.

5. THE JORDANIAN SITUATION IS THE OPPOSITE EXTREME. WITH THE SAUDIS ACTING ONLY AS GUARANTOR FOR JORDANIAN FMS CREDITS, THEY HAVE VIRTUALLY NO SAY OVER WHAT SORT OF EQUIPMENT THEY ARE FINANCING. WE ALSO HAVE EXPERIENCED PROBLEMS RE LEGAL RESPONSIBILITY FOR PAYMENT AND DIFFICULTY IN AFFECTING TIMELY SAUDI PAYMENT OF THE LOANS. REPEATEDLY WE HAVE FOUND OURSELVES IN THE AWKWARD

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POSITION OF NEEDING TO PRESS THE SAUDIS FOR PAYMENT ON JORDAN'S BEHALF. THIS TENDS TO IRRITATE SAG AND COMPLICATE SAG-JORDANIAN RELATIONS. THERE ARE INDICATIONS THE SAG MIGHT NOT GUARANTEE FUTURE JORDANIAN FMS CREDITS.

6. IN ORDER TO AVOID THE PROBLEMS EXPERIENCED IN BOTH THE YEMEN AND JORDANIAN PROGRAMS, THE DEPARTMENT PROPOSED THE PROCEDURE FOR THE SUDANESE PROGRAM DESCRIBED IN REFTTEL (C). THIS ARRANGEMENT, AGREED TO BY BOTH THE SUDANESE AND THE SAUDIS, PRESERVES THE FUNDAMENTAL BILATERAL NATURE OF OUR MILITARY SUPPLY RELATIONSHIP WITH THE RECIPIENT COUNTRY, THAT COUNTRY'S CONTROL OVER THE EQUIPMENT, AND THE VISIBILITY OF THE SAUDI LARGESS. THE SAME PROCEDURES WILL APPLY FOR THE SAUDI-FUNDED BAHRAIN MILITARY ASSISTANCE PROGRAM.

7. IN CASE OF SAUDI FINANCING OF CURRENT PURCHASE OF 14 C-130S FOR EGYPT, DETAILS OF AGREEMENT HAVE BEEN WORKED OUT DIRECTLY BETWEEN CAIRO AND JIDDA WITHOUT USG INVOLVEMENT. IN THIS FMS CASH SALE CASE, PLANES, SPARES, ETC. ARE TO BE DELIVERED COINCIDENT WITH PAYMENT SCHEDULE; ANY DELAY IN PAYMENTS RESULTS IN DELAY IN DELIVERY. THIS GOES

EVEN FARTHER THAN THE SUDANESE ARRANGEMENT IN REDUCING
U.S. INVOLVEMENT. THE GEARING OF DELIVERIES TO PAYMENTS
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AND THE NEED FOR NOTE OF SAG GUARANTEE ON LOANS (PARA 4
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8. FOR KUWAIT, ABU DHABI AND DOHA: DEPARTMENT WOULD
APPRECIATE EMBASSY COMMENTS (WITHOUT APPROACH TO HOST
GOVERNMENTS AT THIS TIME) ON LIKELIHOOD OF THEIR HELPING
SAUDI ARABIA PAY FOR EGYPTIAN F-5 PROGRAM.

9. FOR JIDDA: WOULD LIKE YOUR ASSESSMENT (WITHOUT
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10. FOR JIDDA AND CAIRO: PLEASE PROVIDE YOUR JUDGMENT
WHETHER YOUR HOST GOVERNMENTS WOULD PREFER THE SUDANESE
OR THE C-130 FINANCING ARRANGEMENTS FOR OUR SALE OF
F-5S TO EGYPT. VANCE

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DRAFTED BY UNA:AHOLLOWAY:JHL

APPROVED BY S/S-O-DROBINSON

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FM SECSTATE WASHDC

TO USMISSION USUN NEW YORK IMMEDIATE

C O N F I D E N T I A L STATE 068709

EXDIS MILITARY ADDEE HANDLE AS SPECAT EXCLUSIVE FOR AMB YOUNG

FOLLOWING REPEAT STATE 068709 ACTION CAIRO JIDDA KUWAIT ABU DHABI
DOHA INFO SECDEF 17 MAR 78

QUOTE

C O N F I D E N T I A L STATE 068709

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UNQUOTE VANCE

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Disposition Approved on Date:
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